

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 17, 2011

**SUBJECT: ROCKY MOUNTAIN POWER'S REQUEST FOR A REVISED AND
RESTATED POWER PURCHASE AGREEMENT BETWEEN LOWER
VALLEY ENERGY, INC., AND PACIFICORP, CASE NO. PAC-E-11-15**

On May 19, 2011, Rocky Mountain Power filed a request with the Commission to amend the power purchase agreement (PPA, Agreement) between PacifiCorp and Lower Valley Energy, Inc. (Lower Valley), dated May 6, 2011. On June 17, 2011, Rocky Mountain Power filed a supplement to its original request. The parties seek to amend the Agreement originally approved by the Commission on July 16, 2009. Order No. 30864.

Lower Valley owns, operates and maintains three run of river hydroelectric generating facilities in Lincoln County, Wyoming – two are located on Swift Creek and one is located on the existing culinary water system for the town of Afton. The Swift Creek facilities were completed in 2009 and have maximum capacities of 940 kW (the “Upper Facility”) and 535 kW (the “Lower Facility”). The third facility – the “Culinary Facility” – is the subject of Rocky Mountain Power’s request for an amendment.

THE AGREEMENT

The Culinary Facility was completed in December 2010 and has a maximum capacity of 225 kW. Rocky Mountain Power represents that Lower Valley purchases firm point-to-point transmission from Bonneville Power Administration (BPA) in amounts sufficient to deliver output from all three facilities via a single scheduled delivery to Rocky Mountain Power at Goshen, Idaho.

Rocky Mountain Power requests Commission approval of the following amendments: (1) add a provision for the purchase of net output from the new Culinary Facility; (2) extend the term of the Agreement from May 1, 2012 to September 1, 2014; (3) provide that the Culinary

Facility receive the published avoided cost rates of Order No. 32234¹; and (4) provide that the “Upper Facility” and “Lower Facility” receive the published avoided cost rates of Order No. 32234 commencing on May 1, 2012, the expiration date of the existing Agreement.

Although each facility is a separate qualifying facility (QF) pursuant to PURPA, Lower Valley intends to operate its Upper Facility, Lower Facility and Culinary Facility as a single generating facility under a single power purchase agreement. Rocky Mountain Power and Lower Valley represent that purchasing and selling power for all three facilities under a single PPA is the most efficient means of effectuating the sale and delivery of net output from these facilities for two reasons: (1) the use of one Agreement reduces costs in generating monthly statements and processing monthly payments for both Rocky Mountain Power and Lower Valley and (2) because Lower Valley delivers net output from the three facilities via a single point-to-point transmission reservation, the three projects arrive at Rocky Mountain Power’s system via a single schedule that is amenable to treatment by Rocky Mountain Power as a single resource. Supplement at 4.

Various requirements have been placed on Lower Valley in order for Rocky Mountain Power to accept energy deliveries from the Culinary Facility. Rocky Mountain Power states that it will monitor Lower Valley’s compliance with these requirements. *Id.* at 5. Lower Valley has selected seven days after Commission approval of the Agreement as its Commercial Operation Date for the Culinary Facility.

By its own terms, the Agreement will not become effective until the Commission has approved all of the terms and conditions and declares that all payments made by Rocky Mountain Power to the Facilities for purchases of energy “are just and reasonable, in the public interest, and that the costs incurred by [Rocky Mountain Power] for purchases of capacity and energy from [Lower Valley] are legitimate expenses, all of which the Commission will allow [Rocky Mountain Power] to recover in rates in Idaho in the event other jurisdictions deny recovery of their proportionate share of said expenses.” Agreement ¶ 2.1.


STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure.

¹ Order No. 32234 revised Rocky Mountain Power’s published avoided cost rates pursuant to a change in cost of capital triggered by the result of Rocky Mountain Power’s most recent general rate case, PAC-E-10-07.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure?



Kristine A. Sasser
Deputy Attorney General

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